

C. DUKES SCOTT
EXECUTIVE DIRECTOR

P.O. Box 11263
Columbia, S.C. 29211



Phone: (803) 737-0800
Fax: (803) 737-0801

DAN FARNETT
CHIEF OF STAFF

170027

September 29, 2005

VIA HAND DELIVERY

Charles L.A. Terreni, Esquire
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

RECEIVED
2005 SEP 29 PM 3:27
SC PUBLIC SERVICE
COMMISSION

Re: Joint Application of J.C. Cox Utilities, Inc. and JACABB Utilities, LLC
for Expedited Approval of a Transfer of Assets; the Transfer of Operating
Authority; and Transfer of all Sewer Services System without Limitations
Serving Forest Hills subdivision, Anderson County, South Carolina
Docket No. 2005-43-S

Dear Mr. Terreni:

For your docket, please find enclosed the original and twenty-five (25) copies of the Direct Testimony and Exhibits of Dawn Hipp in the above referenced docket. Please have the extra copy date stamped and returned to me via our courier. Also, pages 26 through 31 of Exhibit 2 in Ms. Hipp's testimony contain personal financial data of Mr. Steve Goldie, the requested transferee in this matter. In consideration to Mr. Goldie, we ask that these pages of Exhibit 2 not be placed on the Commission's website. Accordingly, we included twenty-five copies of these pages in a separate envelope attached to this cover letter.

Please let me know if you have any questions.

Sincerely,

Shannon Bowyer Hudson

Shannon Bowyer Hudson

SBH/wot
Enclosures

cc: Charles H. Cook, Esquire
James S. Eakes, Esquire

OK D. Duke
OK D. Duke

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2005-43-S

IN RE: Joint Application of J.C. Cox Utility,)
 Inc. and JACABB Utilities, LLC for)
 Expedited Approval of a Transfer)
 of Assets; the Transfer of)
 Operating Authority; and Transfer)
 of all Sewer Services System)
 without Limitations Serving Forest)
 Hills subdivision, Anderson County,)
 South Carolina)

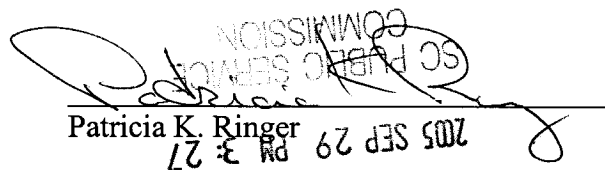
CERTIFICATE OF SERVICE

This is to certify that I, Patricia K. Ringer, an employee with the Office of Regulatory Staff, have this date served one (1) copy each of the **Direct Testimony and Exhibits of the following Office of Regulatory Staff witnesses: Dawn M. Hipp** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Charles H. Cook, Esquire
J.C. Cox Utilities, Inc. & JACABB Utilities, LLC
Elliott & Elliott, P.A.
721 Olive Street
Columbia, SC 29205

James S. Eakes, Esquire
JACABB Utilities, Inc.
Allen & Eakes
Post Office Box 1405
Anderson, SC 29622

September 29, 2005
Columbia, South Carolina


Patricia K. Ringer

RECEIVED

2005 SEP 29 PM 3:27

THE OFFICE OF REGULATORY STAFF
DIRECT TESTIMONY AND EXHIBITS
OF

DAWN M. HIPPIE



DOCKET NO. 2005-43-S

**Joint Application by J.C. Cox Utilities,
Inc. and JACABB Utilities, LLC
for Expedited Approval of Transfer of
Assets, Operating Authority and Sewer
Systems**

RECEIVED

2005 SEP 29 PM 3:33
SC PUBLIC SERVICE
COMMISSION

TESTIMONY OF DAWN M. HIPPI**FOR****THE OFFICE OF REGULATORY STAFF****DOCKET NO. 2005-43-S****IN RE: J.C. COX UTILITIES, INC. AND JACABB UTILITIES, LLC
JOINT APPLICATION FOR EXPEDITED APPROVAL OF TRANSFER OF
ASSETS, OPERATING AUTHORITY AND SEWER SYSTEMS**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
OCCUPATION.**

A. My name is Dawn M. Hipp. My business address is 1441 Main Street, Suite 300, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a Program Specialist in the Water/Wastewater Department for the Office of Regulatory Staff ("ORS").

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND
EXPERIENCE.**

A. I am a 1992 graduate of Moorhead State University where I earned a B.S. in Political Science. I have over eight years of experience in hazardous waste regulation. From 1996 to 1999, I worked for Laidlaw Environment Services in Saukville, Wisconsin, as an accounts receivable supervisor and then as a facility accounting supervisor for Laidlaw's Government Services Division. In this role, I facilitated electronic commerce including EDI transfer of order and EFT

1 payments with customers. I also developed, implemented, and enhanced
2 government billing and waste tracking systems. From 1999-2003, I worked for
3 Safety-Kleen Corporation and Clean Harbors Environmental Services, Inc. in
4 Columbia, SC as an operations manager in the Government Services Division. In
5 this role, I managed the financial, operations and all regulatory aspects of field
6 offices nationwide serving Department of Defense hazardous waste removal
7 contracts. I was accountable for the viability of 14 government contracts yielding
8 \$12 million in revenue annually.

9 In September 2004, I joined ORS as the Program Specialist for the Water and
10 Wastewater Department. I am a member of the American Water Works
11 Association ("AWWA") and the South Carolina Section of the American Water
12 Works Association ("SC-AWWA").

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
14 **PROCEEDING?**

15 A. The purpose of my testimony is to set forth the ORS staff findings relative to the
16 J.C. Cox Utilities, Inc. ("J.C. Cox") and JACABB Utilities, LLC. ("JACABB")
17 joint application for transfer of the wastewater system located in Anderson
18 County, SC. Specifically, I will focus on the ORS facility site evaluation and
19 what ORS is aware of concerning JACABB's technical, managerial and financial
20 capabilities. I will also focus on the impact of the transfer on existing customers.

21 **Q. ARE THE FINDINGS OF YOUR REVIEW CONTAINED IN THIS**
22 **TESTIMONY AND ACCOMPANYING EXHIBITS?**

1 A. Yes, my testimony and the attached exhibits detail my findings and
2 recommendations.

3 **Q. PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**
4 **TESTIMONY AND EXHIBITS.**

5 A. I used information provided by J.C. Cox and JACABB in its Application,
6 information received from JACABB in support of the Application and
7 information gathered during the ORS facility site inspection. Further, I consulted
8 with and used information from the South Carolina Department of Health and
9 Environmental Control ("DHEC").

10 **Q. PLEASE PROVIDE AN OVERVIEW OF THE LOCATION, SERVICE**
11 **TYPES AND CUSTOMER BASE SERVICED BY J.C. COX.**

12 A. J.C. Cox is a public utility providing wastewater collection and treatment services
13 to residents of the Forest Hills subdivision, near the town of Williamston, in
14 Anderson County, South Carolina. According to the annual report filed in
15 February 2005, J.C. Cox is a Class C wastewater utility serving 33 residential
16 customers.

17 **Q. PLEASE EXPLAIN EXHIBIT DMH-1 OF YOUR REPORT.**

18 A. Exhibit DMH-1, consisting of one page, is a summary of the wastewater
19 collection and treatment services inspected by ORS on August 31, 2005.

20 J.C. Cox provides wastewater treatment at one location in Anderson County under
21 a National Pollutant Discharge Elimination System ("NPDES") Permit Numbered
22 SC0028525. Treated effluent is discharged to a tributary that flows into the

1 Saluda River. The collection system does not include any lift stations, but flows
2 by gravity to the wastewater treatment facility ("WWTF").

3 During the ORS inspection, the wastewater collection and treatment system was
4 operating adequately and in accordance with DHEC rules and regulations. The
5 WWTF is in need of repairs and general maintenance as documented in Exhibit
6 DMH-1. J.C. Cox is operating under the terms of SC DHEC Consent Order 02-
7 142-W. There is neither construction activity being proposed by J.C. Cox for its
8 wastewater collection and treatment systems nor is there an immediate need for an
9 upgrade of the existing systems.

10 **Q. DOES JACABB HAVE THE TECHNICAL, MANAGERIAL AND**
11 **FINANCIAL RESOURCES TO OWN AND OPERATE A WASTEWATER**
12 **UTILITY?**

13 **A.** JACABB has provided the following documents to ORS to support its technical,
14 managerial and financial viability:

- 15 1) SC Secretary of State Certificate of Existence;
- 16 2) Sample of customer bill form;
- 17 3) Authorized Utility Representative form;
- 18 4) Business plan; and,
- 19 5) Performance Bond

20 These documents are provided as Exhibit DMH-2 consisting of 31 pages.

21 **Technical Resources**

22 From the information I reviewed, I believe JACABB has the technical expertise to
23 properly maintain and operate a wastewater utility in accordance with the rules

1 and regulations of the Public Service Commission of South Carolina
2 (“Commission”) and SC DHEC. The business plan submitted by JACABB
3 identifies adequate technical staffing levels to support daily operations. In
4 addition, JACABB has completed extensive due diligence on the assets and
5 operations of the Forest Hills collection lines and WWTF.

6 **Managerial Resources**

7 JACABB is registered as a limited liability company in the state of South
8 Carolina and is in good standing with the SC Secretary of State. Mr. Steve Goldie
9 is the principal stockholder in JACABB and its affiliated company, Goldie &
10 Associates, Inc. JACABB’s business office is located in Seneca, SC and is shared
11 with Goldie & Associates, Inc. According to the organizational chart provided by
12 JACABB as part of its business plan, JACABB anticipates resource sharing with
13 its affiliated company in the areas of engineering consulting and laboratory
14 services. ORS has discussed with JACABB the importance of documenting all
15 shared transactions in accordance with the National Association of Regulatory
16 Utility Commissioners (“NARUC”) Uniform System of Accounts.

17 In addition, I met with Mr. Steve Goldie on August 31, 2005, to discuss and
18 answer questions related to 26 S.C. Code Regs. 103 Article 5. Specifically, I
19 reviewed with Mr. Goldie the requirements regarding customer relations,
20 invoicing, quality of service, performance bond compliance, general reporting and
21 implementation of rates.

22 **Financial Resources**

1 As stated in its joint Application for Transfer, JACABB will operate the Forest
2 Hills WWTF under rates approved by this Commission in Order No. 2004-101.
3 Currently, customers of J.C. Cox are billed \$30.50 per month for sewerage service
4 which complies with Phase I implementation of Order No. 2004-101. Order
5 No.2004-101 provides for implementation of rates in three phases with each phase
6 requiring Commission approval. Upon Commission approval for and
7 implementation of Phase III rates, JACABB contends that the Forest Hills WWTF
8 will be a self-sustaining entity. JACABB has provided operating revenue and
9 expense projections based on proper operation of the current collection and
10 treatment system.

11 Upon review of the criteria set forth in 26 S.C. Code Regs. 103-512.3.1, I
12 determined that the face amount of JACABB's bond should be \$100,000.00 for
13 wastewater operations. JACABB completed and provided to ORS a copy of a
14 performance bond in the amount of \$100,000.00. JACABB provided a personal
15 financial statement as surety to comply with 26 S.C. Code Regs. 103-512.3.3.
16 Notwithstanding, the personal financial statement, ORS believes the consumer
17 will be better protected by another form of surety that is guaranteed and easily
18 verifiable such as an insurance bond, certificate of deposit or irrevocable letter of
19 credit. If JACABB is allowed to operate the wastewater system, ORS would
20 prefer another form of surety be provided by JACABB.

21 **Q. DOES SC DHEC SUPPORT THIS WASTEWATER SYSTEM**
22 **TRANSFER?**

1 A. SC DHEC has indicated the agency will support a transfer of the J.C. Cox
2 collection system and WWTF to JACABB upon the approval of the Commission
3 (Exhibit DMH-3).

4 **Q. DID ORS COMPLETE A FINANCIAL AUDIT OF THE BOOKS AND**
5 **RECORDS OF J.C. COX AND JACABB?**

6 A. ORS did not conduct an audit of the financial records of J.C. Cox or JACABB in
7 support of this proceeding. It should be noted that JACABB will not be subject to
8 Commission regulation unless this transfer is approved. ORS recognizes that all
9 expense, revenue and asset valuation information contained in the JACABB
10 business plan are projections. Further ORS's acceptance and review of the
11 business plan does not constitute validation of the financial information contained
12 within the document. Nevertheless, I believe this transfer is in the best interest of
13 the Forest Hills consumers and J.C. Cox.

14 **Q. WILL THE PUBLIC INTEREST BE SERVED BY THE TRANSFER OF**
15 **THIS UTILITY TO JACABB?**

16 A. Yes. The Forest Hills customers must be provided reliable and safe wastewater
17 service at a reasonable price. ORS recognizes J.C. Cox has struggled with the
18 increased regulatory demands and the financial impacts of daily operations. J.C.
19 Cox is mindful of the public interest and has voluntarily sought approval for the
20 transfer of the operations and assets of their system to JACABB.

21 ORS finds the transfer of the Forest Hills WWTF and related assets balances the
22 public interest by:

1 1) Ensuring customers are provided on a continued basis with safe and
2 reliable wastewater collection and treatment services;

3 2) Furnishing technical expertise and engineering resources required to
4 adequately operate the existing systems;

5 3) Providing necessary financial resources to facilitate system
6 improvements; and,

7 4) Operating in compliance with all SC DHEC and Commission
8 regulations which safeguard the environment and the consumer.

9 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

10 **A. Yes it does.**

DIRECT EXHIBITS

OF

DAWN M. HIPPI

DOCKET NO. 2005-43-S

**Joint Application by J.C. Cox Utilities,
Inc. and JACABB Utilities, LLC
for Expedited Approval of Transfer of
Assets, Operating Authority and Sewer
Systems**

THE OFFICE OF REGULATORY STAFF

DOCKET NO. 2005-43-S

**Joint Application by J.C. Cox Utilities, Inc. and JACABB Utilities, LLC
for Expedited Approval of Transfer of Assets, Operating Authority and Sewer Systems**

DAWN M. HIPPIE TESTIMONY

EXHIBIT INDEX

<u>EXHIBIT NO.</u>	<u>EXHIBIT TYPE</u>	<u>PREPARED BY</u>
DMH-1	Wastewater System Inspection Report	ORS
DMH-2	Technical, Managerial and Financial Reports	JACABB
DMH-3	Letter from SC DHEC	SC DHEC

**ORS WASTEWATER SYSTEM INSPECTION REPORT****Inspection Overview**

Date Inspected: 08/31/05
Inspector Name: Dawn Hipp
Docket Number: 2005-43-S
Utility Name: J.C. Cox Utilities, Inc. transfer to JACABB Utilities, LLC.
Utility Representative: Steve Goldie - JACABB Utilities, LLC; Joe Holden - Goldie and Associates
Number of Customers: 33
System Type: Aerated Lagoon with Biotower
Location of System: Forest Hills Subdivision, Williamston, SC
Location of Utility Office: Transferor: J.C. Cox Utilities, Inc. 33 Lester Rd, Williamston, SC
Transferee: JACABB Utilities, LLC. 210 West North 2nd Street, Seneca, SC
Treatment Type: Biological treatment
Permit #: NPDES Permit #SC0028525
Last SC DHEC Compliance Rating: Unsatisfactory (CEI dated 05/26/05)
Frequency checked by WWTF Operator: Daily (Goldie and Associates, Inc.)
Drinking Water Provider: Town of Williamston

Inspection Results

	System Components Inspected	Yes	No	Comments
1	Chlorinator	X		Chlorination tablets used
2	Other chemicals in use	X		De-chlorination using sodium dioxide
3	Aerators present	X		2 aerators in lagoon. 1 operational
4	Plant fenced and locked		X	Gate on fence was broken.
5	Warning Signs Visible		X	Signage did not contain utility name and emergency contact phone number.
6	Fence in good condition		X	Fencing is down in several places and overgrown with vegetation.
7	Dikes in good condition		X	Erosion of dikes present
8	Odor non-existent or limited	X		Slight odor by the lagoon
9	Grass mowed		X	Grass was overgrown around the lagoon.
10	Duckweed/Algae acceptable		X	¾ of lagoon covered in duck weed
11	Grease build-up acceptable		X	General maintenance will resolve grease build-up
12	Plant free of debris		X	Tree limbs, chlorine containers within fence line
13	Effluent Color acceptable	X		Clear effluent
14	Lift Stations present		X	No lift stations on system
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks		X	Leak on pumps transferring wastewater from aerated lagoon and biotower.
18	System free of overflows	X		
19	Access road adequate		X	Access road was poor
20	Ability for service area to expand	X		Subdivision is not fully built. Approximately 30 lots are available. WWTF will need to upgrade in order to provide service to additional customers.

Additional Comments:

J.C. Cox Utilities, Inc. operating under SC DHEC Consent Order 02-142-W

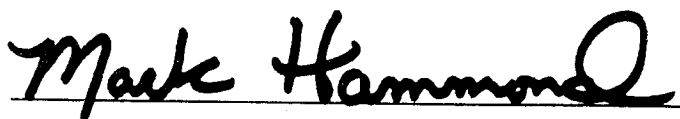
The State of South Carolina

Office of Secretary of State Mark Hammond **Certificate of Existence**

I, Mark Hammond, Secretary of State of South Carolina Hereby certify that:

JACABB UTILITIES, LLC, A Limited Liability Company duly organized under the laws of the State of South Carolina on May 17th, 2004, with a duration that is at will, has as of this date filed all reports due this office, including its most recent annual report as required by section 33-44-211, paid all fees, taxes and penalties owed to the Secretary of State, that the Secretary of State has not mailed notice to the company that it is subject to being dissolved by administrative action pursuant to section 33-44-809 of the South Carolina Code, and that the company has not filed articles of termination as of the date hereof.

Given under my Hand and the Great Seal of
the State of South Carolina this 8th day of
June, 2004.



Mark Hammond, Secretary of State

MAY 17 2004

STATE OF SOUTH CAROLINA
SECRETARY OF STATE

MAY 17 2004

Mark Hammond
SECRETARY OF STATE OF SOUTH CAROLINA

ARTICLES OF ORGANIZATION
LIMITED LIABILITY COMPANY

Mark Hammond
SECRETARY OF STATE

TYPE OR PRINT CLEARLY IN BLACK INK

The undersigned delivers the following articles of organization to form a South Carolina limited liability company pursuant to Sections 33-44-202 and 33-44-203 of the 1976 South Carolina Code of Laws, as amended.

1. The name of the limited liability company which complies with Section 33-44-105 of the South Carolina Code of 1976, as amended is Jacobb Utilities, LLC

2. The address of the initial designated office of the Limited Liability Company in South Carolina is

210 W North Second St.
Street Address
Seneca SC 29678
City Zip Code

3. The initial agent for service of process of the Limited Liability Company is

Stephen R. Goldie
Name Signature

and the street address in South Carolina for this initial agent for service of process is

210 W North Second St
Street Address
Seneca SC 29678
City Zip Code

4. The name and address of each organizer is

(a) Stephen R. Goldie
Name
116 Shannon Dr
Street Address
Pendleton SC 29670
City State Zip Code

(b) _____
Name

Street Address

City

State

Zip Code

(Add additional lines if necessary)

5. ☐ Check this box only if the company is to be a term company. If so, provide the term specified:

6. ☐ Check this box only if management of the limited liability company is vested in a manager or managers. If this company is to be managed by managers, specify the name and address of each initial manager:

(a)

Name	
Street Address	City
State	Zip Code

(b)

Name	
Street Address	City
State	Zip Code

(c)

Name	
Street Address	City
State	Zip Code

(d)

Name	
Street Address	City
State	Zip Code

(Add additional lines if necessary)

7. ☐ Check this box only if one or more of the members of the company are to be liable for its debts and obligations under section 33-44-303(c). If one or more members are so liable, specify which members, and for which debts, obligations or liabilities such members are liable in their capacity as members.

8. Unless a delayed effective date is specified, these articles will be effective when endorsed for filing by the Secretary of State. Specify any delayed effective date and time:
9. Set forth any other provisions not inconsistent with law which the organizers determine to include, including any provisions that are required or are permitted to be set forth in the limited liability company operating agreement
10. Signature of each organizer
- (Add Additional lines if necessary)
- Date 5/14/04

FILING INSTRUCTIONS

1. File two copies of this form, the original and either a duplicate original or a conformed copy.
2. If space on this form is not sufficient, please attach additional sheets containing a reference to the appropriate paragraph in this form, or prepare this using a computer disk which will allow for expansion of the space on the form.
3. This form must be accompanied by the filing fee of \$110.00 payable to the Secretary of State.
Return to: Secretary of State
P.O. Box 11350
Columbia, SC 29211
4. The first annual report for a Limited Liability Company must be delivered to the Secretary of State between January first and April first of the calendar year after which the Limited Liability Company was organized or the foreign company was first authorized to transact business in South Carolina. Subsequent annual reports must be delivered to the Secretary of State on or before the fifteenth day of the fourth month following the close of the limited liability company's taxable year.

NOTE

THE FILING OF THIS DOCUMENT DOES NOT, IN AND OF ITSELF, PROVIDE AN EXCLUSIVE RIGHT TO USE THIS CORPORATE NAME ON OR IN CONNECTION WITH ANY PRODUCT OR SERVICE. USE OF A NAME AS A TRADEMARK OR SERVICE MARK WILL REQUIRE FURTHER CLEARANCE AND REGISTRATION AND BE AFFECTED BY PRIOR USE OF THE MARK. FOR MORE INFORMATION, CONTACT THE TRADEMARKS DIVISION OF THE SECRETARY OF STATE'S OFFICE AT (803) 734-1728.

JACABB UTILITIES, LLC

210 W. N. Second St.
Seneca, SC 29678
(864) 882-8194
fax (864) 882-0851

ACCOUNT# 00000000

Billing Date: 06/01/05

Due Date: 07/01/05 ✓

Monthly Sewer Fee: \$00.00 ✓

Late Fee: \$00.00 ✓

Total Amount Due: \$00.00 ✓

Service Address: Physical Dr.

Customer Name

Street Address

City, State, Zip Code

Last Payment : 05/10/05

Amount Paid: \$00.00

1 ½% per month will be added to all amounts not paid by the due date.

AUTHORIZED UTILITY REPRESENTATIVE INFORMATION

PURSUANT TO SOUTH CAROLINA PUBLIC SERVICE COMMISSION REGULATION

103-612.2.4(b) - Each utility shall file and maintain with the Commission the name, title, address, and telephone number of the persons who should be contacted in connection with General Management Duties, Customer Relations (Complaints), Engineering Operations, Test and Repairs, and Emergencies during non-office hours.

Jacabb Utilities, LLC

Company Name (Including dba Name(s) or Acronyms used or to be used in South Carolina)

210 W N 2nd Street

Business Address

Seneca SC 29678

City, State, Zip Code

A. Stephen R. Goldie

General Manager Representative (Please Print or Type)

(864) 882-8194 / (864) 882-0851 /

Telephone Number / Facsimile Number / E-mail Address

B. Stephen R. Goldie

Customer Relations (Complaints) Representative (Please Print or Type)

(864) 882-8194 / (864) 882-0851 /

Telephone Number / Facsimile Number / E-mail Address

C. Goldie & Associates

Engineering Operations Representative (Please Print or Type)

(864) 882-8194 / (864) 882-0851 /

Telephone Number / Facsimile Number / E-mail Address

D. Goldie & Associates

Test and Repair Representative (Please Print or Type)

(864) 882-8194 / (864) 882-0851 /

Telephone Number / Facsimile Number / E-mail Address

E. Stephen R. Goldie

Contact for Emergencies During Non-Office Hours (Please Print or Type)

(864) 505-6100 / /

Telephone Number / Facsimile Number / E-mail Address

F. Stephen R. Goldie

Financial Representative (Please Print or Type)

(864) 882-8194 / (864) 882-0851 /

Telephone Number / Facsimile Number / E-mail Address

G. (866) 882-8194

Customer Contact Telephone Number for Company (Toll Free)

Stephen R. Goldie

This form was completed by

Signature

If you have any questions, contact the Consumer Services Department (803-896-5230) or Utilities Department at (803-896-5105).

Business Plan

Forest Hill SD / Jacabb Utilities, LLC

prepared for:
Jacabb Utilities, LLC
210 W. North Second Street
Seneca, SC 29678

prepared by:
Goldie & Associates
210 W. North Second Street
Seneca, SC 29678

May 2005

Goldie Project No. 714

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Executive Summary

The following document outlines the Business Plan for the operation and maintenance of the Forest Hill Subdivision wastewater system (NPDES No. SC0028525), located in Anderson County, SC near the Town of Williamston. The Forest Hill SD system (collection and treatment) is currently owned by J.C. Cox Utilities; however, Jacabb Utilities is in the process of assuming ownership and operational responsibility for the system. Jacabb Utilities is committed to operating the system as a self-sustaining entity, and has devised this business plan to outline the facility, managerial, and financial requirements to do so.

The primary purpose of a Business Plan is to aid in the financial projections of a system in order to show that the system is expected to remain viable into the foreseeable future. This Business Plan will thus be used as a guidance document for ensuring future viability of the system. A comparison of estimated annual budgetary costs versus anticipated revenues shows that the Forest Hill SD wastewater systems should be viable over the foreseeable future, with appropriate depreciation, repair and replacement, upgrades, and all necessary staffing and other costs accounted for.

SECTION 1: INTRODUCTION

1.1 PURPOSE

This business plan is designated for Jacabb Utilities' ownership and operation of the Forest Hill SD wastewater system. The document is prepared in order to satisfy Public Service Commission requirements for such a plan.

1.2 GENERAL INFORMATION

Project Name: Forest Hill Subdivision Wastewater Treatment System

Owner and Operator: Jacabb Utilities, LLC
210 W. North Second Street,
Seneca, SC 29678
864-882-8194

Executive Summary

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1.2 GENERAL INFORMATION

Project Name: Forest Hill Subdivision Wastewater Treatment System

Owner and Operator: Jacabb Utilities, LLC
210 W. North Second Street,
Seneca, SC 29678
864-882-8194

SECTION 2: FACILITIES PLAN

2.1 AREA SERVED

The Forest Hill SD wastewater system currently serves 33 customers located in the Forest Hill SD, located just southeast of the Town of Williamston in Anderson County, SC. There are additional lots available within the subdivision; however, these lots are not currently served by any utilities, and there are no plans to do so in the immediate future; thus, there potential input is not considered in this plan.

2.2 DESCRIPTION OF SYSTEM

2.2.1 Facilities

The system presently consists of approximately 4800 LF of gravity sewer. Also included is a 0.165 acre lagoon, of which 0.131 is aerated with two blowers. A 0.034 acre stilling area is located at the discharge end of the pond. A trickling filter (Bio-Tower) for ammonia reduction as well as tablet chlorination and dechlorination are also on site. The sewer lines constructed in 1984 along Melanie and Rentz (approximately 3300 LF) are made of PVC, with a small amount of ductile iron pipe. The older lines along Forest Drive are also believed to be PVC. No construction date is known for these lines.

2.2.2 Design Flows

The original permitted capacity of the lagoon was 0.032 MGD. The capacity was believed to have been changed to 0.008 MGD at the installation of the Bio-Tower. Actual flows at the lagoon are around 0.003 MGD (3,000 gpd).

2.2.3 Wastewater Characteristics / Compliance

Influent

The influent wastewater would be typical domestic flow with the following characteristics:

Parameter	Typical quantity (mg/L)
BOD ₅	220
TSS	220
TKN	40
Ammonia	25
Phosphorus	8

Effluent

DHEC effluent limits, based on 8,000 GPD discharge are:

Parameter	Monthly Avg (mg/L)	Daily Max (mg/L)
BOD ₅	30	45
TSS	90	135
Ammonia (summer)	5.21	7.82
TRC	0.025	0.043
Dissolved Oxygen		3.0 daily minimum
Fecal Coliform	200 cfu / 100 ml	400 cfu / 100 ml

The lagoon has a history of ammonia excursions. These were in part alleviated by the installation of a Bio-tower system, approved in late 1996. The Bio-tower has had maintenance and performance problems and ammonia excursions have again occurred over the last years.

Fecal coliform and residual chlorine excursions have also occurred in past years. These excursions are primarily due to poor design and implementation of the lagoon's tablet chlorination / dechlorination system.

2.3 REPLACEMENT OF SYSTEM COMPONENTS

The overall Forest Hill SD wastewater system is a relatively simple one, consisting primarily of gravity sewer lines, and a typical extended aeration wastewater lagoon system to handle the domestic flow. Proper maintenance of these existing components should allow for them to continue in service for the foreseeable future. Depreciation of the system has been factored into yearly costs in order to compensate for replacement of parts in future years.

2.4 FUTURE DEMANDS AND UPGRADES – COMPLIANCE ISSUES

The facilities are designed to allow for the current existing customers. As discussed above, the system has experienced periodic compliance issues; however, it is believed that proper operation and maintenance, coupled with small upgrades to the chlorination / dechlorination system (to use a metered liquid system rather than a tablet system) should resolve these issues.

2.5 CAPITAL COSTS FOR OPERATING SYSTEM AS-IS

Costs for operating the system as designed are presented in the chart below.

Item	Yearly Subtotal				
	2006	2007	2008	2009	2010
1 NPDES Annual Fee	\$530.00	\$530.00	\$530.00	\$530.00	\$530.00
2 Chemicals	\$700.00	\$700.00	\$700.00	\$700.00	\$700.00
3 Electricity	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00
4 Minor Parts (belts, grease, etc)	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
5 Emergency System Repair	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00
6 Plant Depreciation	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00
7 Public Service Commission	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00
8 Collection System Maintenance	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00
9 Collection System Depreciation	\$3,300.00	\$3,300.00	\$3,300.00	\$3,300.00	\$3,300.00
10 Management Expenses	\$15,600.00	\$15,600.00	\$15,600.00	\$15,600.00	\$15,600.00
TOTAL	\$30,030.00	\$30,030.00	\$30,030.00	\$30,030.00	\$30,030.00

1. Annual fee based on permitted flow.
2. Based on chemical usage history facility.
3. Based on usage at facility.

4. Based on historical records of system.
5. Based on data from similar systems.
6. Based on years life expectancy of individual components.
7. Estimated budget to fulfill PSC requirements.
- 8 – 9. See Chart.

Item	Total Cost	Maintenance		Depreciation	
		% per Year	Annual maint.	Years	Annual Cost
8" PVC lines	\$150,000.00	1.5%	\$2,250.00	60	\$2,500
Manholes	\$32,000.00	1%	\$320.00	40	\$800.00
TOTALS			\$2,570.00		\$3,300.00

10. See Management Plan

2.6 ALTERNATIVES

As required, alternatives must be considered to the proposed system.

2.6.1 Alternative Treatment Options

Connection to other WWTPs

Connections to both the Town of Williamston and Anderson County have been negotiated, but neither system was willing to accept the Forest Hill system's flows due to political and financial reasons.

Septic tanks

The existing lots are already served by sewer and SC DHEC has expressed that they would be unwilling to permit the conversion to septic tanks. Additionally, the soils at the site are moderately limited for septic tanks and there is concern that many of the undeveloped lots would not pass the percolation test and would not be usable for development.

2.6.2 Alternative Discharge

Water recycle or reuse

It is not feasible to economically recycle or reuse the treated domestic wastewater in this case.

Use of other discharge locations

The nearest possible alternative discharge point would be in the Saluda River, nearly two miles away. This great distance means that discharge here would not be cost effective.

Land Application

The sewage application rate is 1 inch per week.

$$\frac{8,000 \text{ gal}}{1 \text{ day}} \times \frac{0.133681 \text{ ft}^3}{1 \text{ gal}} \times \frac{1 \text{ acre inch}}{3630 \text{ ft}^3} \times \frac{7 \text{ days}}{1 \text{ inch}} = 2.1 \text{ acres}$$

At this rate, 2.1 acres would be required for land application. With buffers, 3-4 acres would be a reasonable estimate of the area needed. The problem with this discharge type for the Forest Hill system is that there is not suitable land nearby. Most of the terrain in and around the subdivision is sloped and would not be suitable for application. Given

this factor, combined with increased capital costs for flow equalization and holding during rain events, fencing, and an irrigation system, land application is not considered an economically feasible alternative.

2.7 RATIONALE

The Forest Hill wastewater collection system and treatment facility are adequate to meet the subdivision's existing flow and treatment permit limits. Modifications to the WWTP will need to be made to increase the permitted flow in the event of future growth. Other alternatives are not considered feasible due to space, technical reasons, and/or costs. Jacabb Utilities, through its sister company Goldie and Associates, has many years experience designing, operating, and maintaining treatment systems. Because of this, operating and maintaining the system as designed is considered the best alternative for the system.

SECTION 3: MANAGEMENT PLAN

3.1 MANAGEMENT

3.1.1 Ownership

Jacabb Utilities
Attn: Steve Goldie
210 W. North Second Street
Seneca, SC 29678

Phone: (864) 882-8194

Fax: (864) 882-0851

3.1.2 Local Management

Jacabb Utilities
Attn: Henry Dyar, Operations Manager
210 W. North Second Street
Seneca, SC 29678

Phone: (864) 882-8194

Fax: (864) 882-0851

3.2 MANAGEMENT STRUCTURE AND ORGANIZATION

An organizational chart of Jacabb Utilities management structure is included as Chart 1. This chart demonstrates the relation between Jacabb Utilities and its sister company, Goldie & Associates. Goldie & Associates is an engineering, environmental, and laboratory consulting firm. The management structure of Jacabb Utilities is independent of the Forest Hill SD wastewater system.

3.3 STAFFING REQUIREMENTS

Personnel	Duties
Steve Goldie	Owner, Company Management
Henry Dyar	Operations Manager, Operator of Record, NPDES Reporting
Joe Holden / David Kurtz	Daily Operations, Routine Maintenance
Sheila Lowery	Administration, Billing, etc.
Goldie & Associates	Engineering Consulting and Laboratory
Contractor	Major Repairs

3.3.1 Adequacy of Staffing

Staffing by Jacabb Utilities for the Forest Hill wastewater treatment system is considered adequate. As described above, all plant operational and managerial requirements are

fulfilled. All operators are licensed through the SC Department of Labor and Licensing as Biological treatment plant Operators of sufficient grade to conduct daily operations at the Forest Hill SD facility.

3.3.2 Outside Service Providers

Goldie & Associates will be contracted to provide laboratory and any engineering / consulting needs. Presented below is a list of potential contractors that may be utilized for major repairs and maintenance.

Frankie Burden
(864) 958-0287

Terry Sheridan Construction
(864) 844-3292

RKC Construction
(864) 314-2649

3.3.3 Operation and Maintenance Procedures

An operations and maintenance plan specific to the Forest Hill system has not yet been completed as the system is still in the transfer phase from J.C. Cox Utilities to Jacobb Utilities. Upon transfer, an O&M Plan including all required operating procedures, maps, schematics, etc. will be completed. Copies of the O&M Plan will be maintained onsite and at Jacobb Utilities main office. Henry Dyar, as Operations Manager and Operator of Record for Forest Hill, will be responsible for developing and updating the O&M Plan.

3.4 COST ESTIMATES - MANAGEMENT

Item	Monthly Cost	Yearly Subtotal
1 Daily Operations (salary)	\$600.00	\$7,200.00
2 Administration (salary)	\$250.00	\$3,000.00
3 Laboratory Analyses (contract)	\$250.00	\$3,000.00
4 Routine System Maintenance (salary / contract)	\$200.00	\$2,400.00
TOTAL	\$1,300.00	\$15,600.00

1. Daily Operations: $0.5 \text{ hr/day} \times \$40/\text{hr} \times 30 \text{ day/month} = \$600/\text{month}$
2. $6 \text{ hr/month} \times \$25/\text{hr} + 2 \text{ hr/month} \times \$50/\text{hr} = \$250/\text{month}$
3. Based on expected (typical) NPDES permit parameters.
4. Based on historical information for the system.

SECTION 4: FINANCIAL PLAN

The Forest Hill Subdivision and associated wastewater system is still in the planning and transfer stages; therefore, no historical budget records are available for this Business Plan. Expenses and revenues are based on historical records for the facility and similar systems.

The Expense and Revenue tables below present estimated expenses that will be incurred for the wastewater system.

4.1 EXPENSES

For a more detailed explanation of these expenses, please see the proceeding sections.

Item	Yearly Subtotal				
	2006	2007	2008	2009	2010
NPDES Annual Fee	\$530.00	\$530.00	\$530.00	\$530.00	\$530.00
Chemicals	\$700.00	\$700.00	\$700.00	\$700.00	\$700.00
Electricity	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00
Minor Parts (belts, grease, UV Bulbs, etc)	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Emergency System Repair Labor	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00
Plant Depreciation	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00
Public Service Commission	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00
Collection System Maintenance	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00
Collection System Depreciation	\$3,300.00	\$3,300.00	\$3,300.00	\$3,300.00	\$3,300.00
Management Expenses	\$15,600.00	\$15,600.00	\$15,600.00	\$15,600.00	\$15,600.00
TOTAL	\$30,030.00	\$30,030.00	\$30,030.00	\$30,030.00	\$30,030.00

Inflation Factor: An inflation factor was not used since the majority of these costs are self incurred (performed by the owner/operator) and will be less influenced by inflation over the relatively short five-year projections.

4.2 REVENUES

The table below outlines the anticipated revenues (along with expenses and profit) for the next five years of the system. The \$82.00 rate is approved by the Public Service Commission, pending the transfer and upgrades of the system described in this document.

Year	Units Charged	Unit Rate / Month	Revenue	Expenses	Profit
2006	33	\$82.00	\$32,472.00	\$30,030.00	\$2,442.00
2007	33	\$82.00	\$32,472.00	\$30,030.00	\$2,442.00
2008	33	\$82.00	\$32,472.00	\$30,030.00	\$2,442.00
2009	33	\$82.00	\$32,472.00	\$30,030.00	\$2,442.00
2010	33	\$82.00	\$32,472.00	\$30,030.00	\$2,442.00

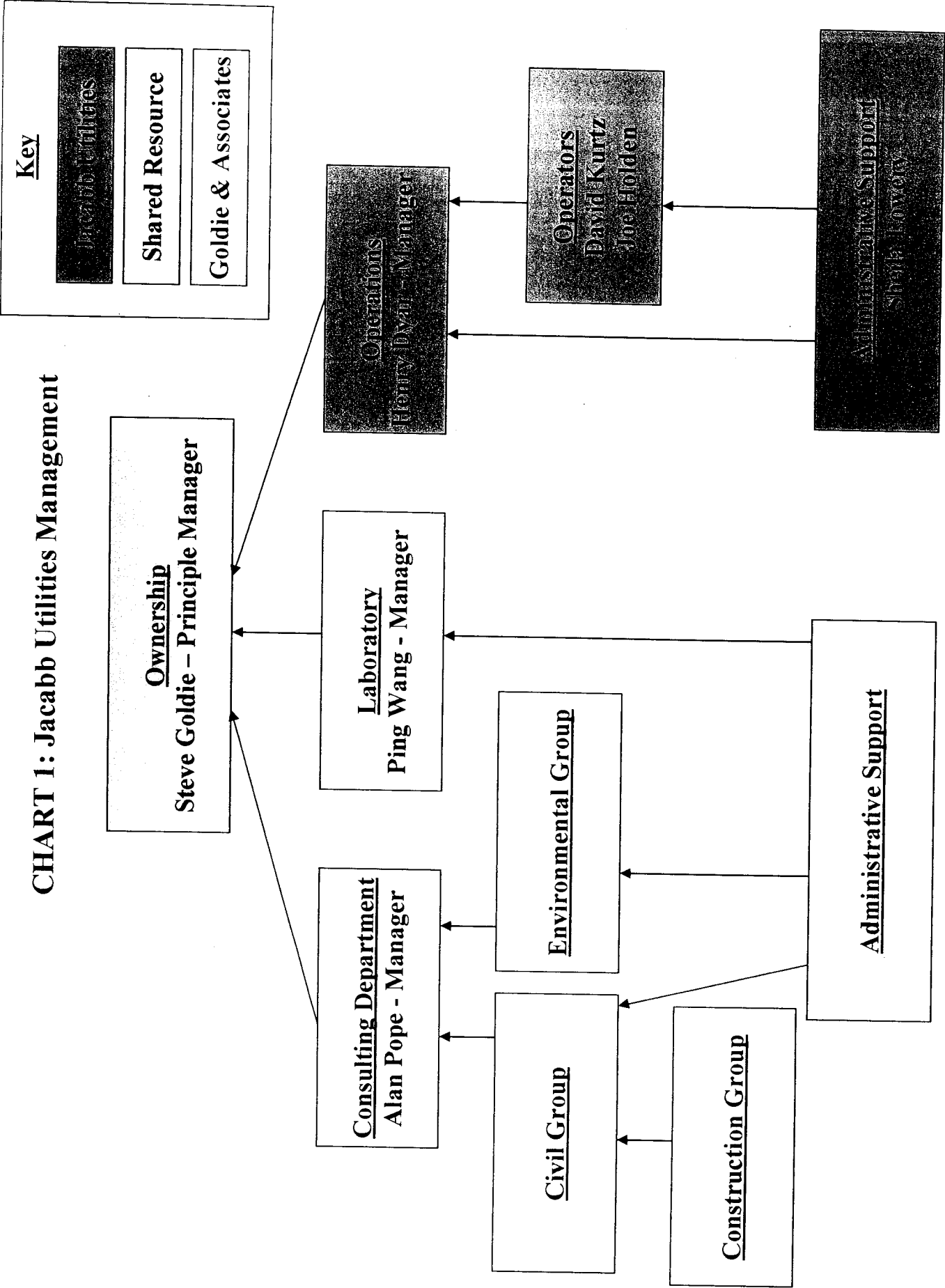
4.3 ASSURANCES

Sewer fees are pre-approved by the Public Service Commission (PSC), pending transfer and upgrade of the system as described within this document. The outlined fee structure allows for an excess coverage of approximately 8% per year. The Public Service Commission recommends approximately an 8% excess, assuming depreciation is included in the expenses incurred. The SC DHEC Bureau of Water "Water System Viability Guidance" document recommends approximately 20%, not including depreciation. Jacobb Utilities therefore contends that, based on these preliminary rate structures, that it will be a self-sustaining, viable entity in regard to the Forest Hill SD wastewater system.

Additionally, Jacobb Utilities will be required by the PSC to obtain bonding in an amount sufficient to meet PSC's requirements.

CHARTS

CHART 1: Jacabb Utilities Management



PERFORMANCE BOND
FINANCIAL STATEMENT
(SEWER UTILITIES)

KNOW ALL MEN BY THESE PRESENTS, that Jacobb Utilities, LLC,
being duly qualified to do business in the State of South Carolina, designated as "principal", and that
Stephen R. Goldie, designated as "surety"/"sureties" is/are held and firmly
bound unto the Public Service Commission of South Carolina, designated as "obligee", in the penal
sum of \$ 100,000, for the payment of which well and truly to be made, the principal binds
itself, its successors and assigns, and the surety/sureties bind themselves, their personal representatives,
and their assigns, jointly and severally, firmly by these presents.

WHEREAS, in accordance with the provisions of S.C. Code Ann., §58-5-520 (1976, as
amended), which requires the principal to furnish a bond with sufficient surety, to the satisfaction of
the obligee, conditioned as provided in said §58-5-520, and

WHEREAS, the obligee has granted the principal a Certificate of Public Convenience and
Necessity and approved a schedule of rates for sewer service in areas shown on operating maps filed
with the obligee, and

WHEREAS, this bond, when approved by the obligee, conditioned as in said §58-5-720, is to
cover any and all liability which may arise as a result of the principal failing to provide adequate and
sufficient service within its service area as prescribed in §58-5-520, and

FINANCIAL STATEMENT

Sewer Utilities

Page 2

WHEREAS, the obligee, upon notice and hearing, shall have the right to declare all or any part of the bond forfeited upon a determination by the obligee that the principal shall have willfully failed to provide such service as prescribed above, without just cause or excuse, and that such failure has continued for an unreasonable length of time, and

WHEREAS, the liability under the terms of this bond is hereby extended so as to include any fines or penalties imposed or assessed by the obligee against the principal under the provisions of S.C. Code Ann. §58-5-510 (1976 as amended), and

WHEREAS, in the event that any judicial action or proceedings are initiated with respect to this bond, the parties hereby agree that the venue thereof shall be Richland County, State of South Carolina, and

WHEREAS, the surety/sureties, as stockholders of the principal, undertake this obligation for and in consideration of the principal being able to continue to operate a sewer utility providing service to the public for compensation under the jurisdiction of the obligee, and

WHEREAS, the surety/sureties shall file with this bond a Financial Statement showing personal assets, liabilities, and net worth; and shall file annually with the obligee a revised Financial Statement as long as the bond continues in effect, and

WHEREAS, this bond shall become effective on the date executed by the principal and surety/sureties, and shall continue from year to year unless the obligations of the principal and surety/sureties under this bond are expressly released by the obligee in writing, and

FINANCIAL STATEMENT

Sewer Utilities

Page 3

WHEREAS, the obligee upon notice and opportunity to the principal and surety/sureties to be heard, may order that the face amount of this bond to be changed within the limits set forth in S.C. Code Ann., §58-5-520 (1976 as amended).

NOW THEREFORE, in testimony whereof, said principal has hereunto subscribed its name and said principal has caused this instrument to be signed by its duly authorized officers, and its corporate seal to hereunto affixed this 01 day of JUNE, 2005; and that said surety/sureties have caused this instrument to be signed this 01 day of JUNE, 2005.

SURETY/SURETIES

[Signature]
Signature

Jacobb Utilities, LLC
Company

Stephen R. Goldie
By

Managing Owner
Title

IN THE PRESENCE OF

[Signature]
Witness #1

[Signature]
Witness #2

IN THE PRESENCE OF

Signature

Witness #1

Witness #2

BOARD:
Elizabeth M. Hagood
Chairman

Edwin H. Cooper, III
Vice Chairman

L. Michael Blackmon
Secretary

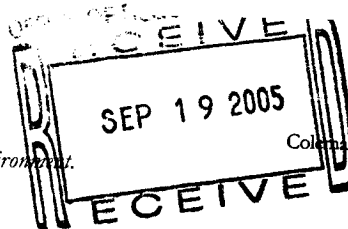


C. Earl Hunter, Commissioner

Promoting and protecting the health of the public and the environment.

EXHIBIT DMH-3

Page 1 of 1



Steven G. Kisner

Paul C. Aughtry, III

Coleman F. Buckhouse, MD

September 9, 2005

Mr. Steve Goldie
JACAAB Utilities Inc.
210 W. North Second Street
Seneca, SC 29678

RE: Transfer of NPDES Permit
J.C Cox Utility, Inc./Forest Hills S/D
JACAAB Utilities Inc

Dear Mr. Goldie:

Your request to transfer this NPDES is held pending documentation that the facility has been transferred ownership to your Utility Company. We would support this requested transfer if provided to the Department. It would be helpful if the requested transfer date occurs at the beginning of a calendar month.

You would need to state that you agree to operate and maintain the wastewater system after that transfer date and identify the person responsible for completing the Discharge Monitoring Reports.

From what I understand this transfer may occur shortly pending your receipt of the necessary regulatory approvals, the NPDES permit could be transferred at that time.

If you have any questions, please do not hesitate to contact me at 803/898-4228.

Sincerely,

Michael J. Montebello, Manager
Domestic Wastewater Permitting Section
Water Facilities Permitting Division

cc: Jeffrey deBessonnet, DHEC
Lee Proctor, Enforcement
✓ Dawn Hipp, Office of Regulatory Staff
Region 1, Anderson EQC Office